

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

FEB 3 4 53 PM '98

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

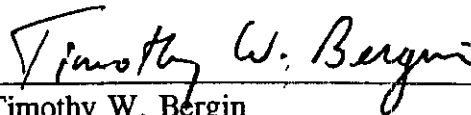
POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

**RESPONSES OF McGRAW-HILL WITNESS
MICHAEL K. HEHIR TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE (USPS/MH-T1-1-5)
(February 3, 1998)**

The McGraw-Hill Companies, Inc. hereby provides the responses of its witness Michael K. Hehir to interrogatories USPS/MH-1-3 filed by the United States Postal Service on January 20, 1998, and interrogatories USPS/MH-4-5, filed by the United States Postal Service on January 23, 1998. Each interrogatory is set out verbatim and is followed by the response.

Respectfully submitted,



Timothy W. Bergin
Squire, Sanders & Dempsey L.L.P.
1201 Pennsylvania Avenue, N.W.
P.O. Box 407
Washington, D.C. 20044-0407
(202) 626-6600

Counsel for The McGraw-Hill
Companies, Inc.

USPS/MH-T1-1. Please refer to your testimony on page 8, line 9.

(a) Please provide your understanding of the term "chronically underutilized".

(b) Please provide all analyses you have conducted of the Postal transportation network.

(c) Is it your understanding that the customers of the Postal Service would be better served (i.e. served at lower cost) if the cube utilization of purchased highway transportation were higher. Please explain.

Response:

(a) My testimony expressly refers (in footnote 10) to Tr. 7/3520-22, where Postal Service witness Nieto testified that in terms of percentage of truck floor space utilized, average utilization of the Postal Service's purchased highway transportation capacity over the period 1990 through 1996 has been roughly 50 percent, and that in terms of cubic capacity, average utilization has been considerably less than 50 percent.

(b) I have conducted no such analyses beyond review of the materials cited in my testimony.

(c) The concern raised in my testimony is focused not on whether underutilization of purchased highway transportation capacity has the effect of unnecessarily increasing overall costs that are passed on to Postal Service customers, but rather with the fact that the costs of the unutilized capacity are allocated to mail that may not necessarily cause those costs. However, it appears reasonable to conclude that higher utilization would lower the unit cost (i.e., cost per mail piece carried) of purchased highway transportation.

USPS/MH-T1-2. Please provide all documents you reviewed in preparation of your testimony.

Response:

The Postal Service is already in possession of the documents cited in my testimony, which include the attachments thereto as well as testimony of record in this proceeding and prior proceedings before the Commission. I have not reviewed other documents in preparation of my testimony.

USPS/MH-T1-3. In your testimony (page 8, lines 11-17) you state that the Postal Service "has not studied" whether the costs of unutilized capacity is volume variable. And you cite witness Bradley's testimony in support of this statement.

(a) Do you regard the testimony of postal operations experts on this very issue as being irrelevant?

(b) Are you familiar with the term latent capacity? If so, please explain the source(s) of your familiarity.

Response:

(a) I am not familiar with the testimony to which you refer and I have no opinion as to its relevance.

(b) I do not purport to be an expert on postal transportation, or to be familiar with terms of art in that regard.

USPS/MH-T1-4. Please refer to your testimony at page 3, lines 25 to 28, and at page 13, lines 7 to 9.

(a) Please provide any quantitative support for your claim that "most" publications experienced significant rate increases as a result of "the MC95-1 reclassification case".

(b) Please confirm that the 1995 increase you mention was the first increase in Postal Service rates for Second-Class/Periodicals Regular Rate for nearly 4 years. If you do not confirm, please explain why not.

Response:

(a) The statement was based upon common knowledge, consistent with the experience of The McGraw-Hill Companies. See, e.g., ABP-T-1, p. 6, lines 16-17 (testimony of witness Crain). The recommendations in MC95-1 resulted in an increase in the piece rates for non-carrier-route mail, and my understanding is that most Periodicals mail is non-carrier-route.

(b) Confirmed.

USPS/MH-T1-5. Please refer to your testimony at page 13, lines 18 to 20.

(a) Please confirm that, according to Postal Service witness Taufique, the 8 percent increase in the editorial pound rate is set at 90 percent of costs in order to mitigate the impact of the rate change on high editorial content mail. See USPS-T-34 at 14. If you do not confirm, please explain why not.

(b) Do you believe that the editorial pound rate should eventually cover 100 percent of editorial pound costs? If not, please explain why not.

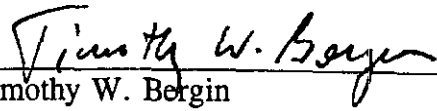
Response:

(a) Confirmed.

(b) The goal of 100 percent cost coverage for editorial matter should be balanced against other pertinent factors in the particular circumstances presented, including the educational, cultural, scientific, and informational ("ECSI") value of editorial matter, the impact of proposed rate increases on high-editorial publications, and other statutory ratemaking factors.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served this document in accordance with section 12 of the rules of practice.



Timothy W. Bergin

February 3, 1998

DECLARATION

I, Michael K. Hehir, declare under penalty of law that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

Dated: 2/2/98


Michael K. Hehir